increased CCS capacity may be provided at lower rather than higher prices under future contracts. But, whatever future contracts may look like, the Commission should not engage in this kind of speculation: under the TELRIC methodology, it is Ameritech's current contracts, i.e., those on which ARPSM relies, that are relevant.

Q. ARE YOU AWARE OF ANY EVIDENCE THAT INDICATES THAT AMERITECH WILL INCUR SWITCHING COSTS IN A FLAT-RATED MANNER AND AT LOWER RATES THAN THOSE REFLECTED IN THE ARPSM STUDY?

A. Yes. Ameritech has provided some contracts between SBC and two of its switch vendors: Nortel and Siemens. The Nortel contract appears to be a partial contract, and to my knowledge does not contain prices for analog and digital lines, critical to this proceeding. The new Siemens contract, however, shows clearly that prices are coming down.[12] The pertinent data are as follows:

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	GROWTH	REPLACEMENT
Old Analog Line Price[13]		[14]
New Analog Line Price	[15]	

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Thus, while the replacement lines are marginally more expensive the growth lines have been significantly reduced in price. The reduction in growth lines prices easily offsets the marginal increase in replacement prices.

In sum, the new contract prices further undermine Ameritech's claim that because of internet usage, the increased CCS on the switch will increase its per line prices.

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[12] The Siemens contract is provided in response to AT&T's 6th Set of Data Requests, No. 33. The fact that Ameritech's switching prices are decreasing corroborates claims made by Ameritech in the SBC/Ameritech merger proceeding that the merged SBC/Ameritech would be able to unify procurement for both their operations, thereby expanding scale of purchases and gaining increases in volume discounts from their suppliers. See Joint Applicants' Initial Brief, ICC Docket 98-0555, Feb. 24, 1999, pp. 30-31, attached hereto and marked as Rebuttal Schedule AHA-3.

[13] See ARPSM, Tab: Line Prices.

[14] **

[15] **

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Q. MR. PALMER PROVIDES AN EXAMPLE OF A BUFFET AT A RESTAURANT. PLEASE COMMENT ON THIS EXAMPLE.

A. On page 33 of his testimony, Mr. Palmer provides the following example:

> As an example of this common-sense phenomenon, an all-you-can-eat buffet restaurant might set its single price based on an "average" level of food consumption per person. It is clear that the restaurant's costs would increase if, for example, the Green Bay Packers or the World Wrestling Federation opened a training facility next door. *The restaurateur would quickly raise his price for the buffet or stop charging on a per-customer basis.* The principle for switch vendors is no different. Dr. Ankum's arguments that switch costs are solely a function of lines and trunks served would have the Commission believe that the restaurant's costs are solely driven by the number of customers served, irrespective of any consideration of the amount of food consumed.

A number of observations are in order. First, when guests increase the amount they eat, the restaurant incurs *real* cost increases. By contrast, Ameritech has already admitted that it does not get charged for usage by its vendors and that the CCS related costs in its models are fiction. If the restaurant owner incurred only fictitious costs – as Ameritech does – then he/she may well leave its prices unchanged in the above example.

Second, restaurants may change their prices overnight to account for changing circumstances. Ameritech's vendors, however, are bound by the contracts they have in place for many years. Thus if Ameritech becomes more "gluttonous" in its consumption of CCS capacity, then the vendors will simply have to live with the current contract prices until their contracts expire. That is, Ameritech's greater consumption of switching capacity does not increase Ameritech's costs per line. Since Ameritech's costs do not increase with increased usage over the course of the contracts, there is no reason to implement usage related costs to penalize usage.

Q. AMERITECH PROVIDES ONE EXAMPLE OF A SITUATION WHERE IT HAD TO EXPAND SWITCH CAPACITY FOR CCS GROWTH? IS THIS SITUATION TYPICAL OR ANOMALOUS?

A. The example provided by Ameritech is not typical and should be discarded as irrelevant and anomalous. On page 34 of his testimony, Mr. Palmer states that Ameritech has had occasion to add switch capacity as a result of CSS growth even though the line capacity of the switch had not been exceeded. Specifically, it notes:

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This is hardly a counter example on which the Commission should approve literally billions of additional dollars in alleged CCS related investments.

First, there is no mention of what vintage the Youngstown switch is. To be sure, Ameritech still operates many older switches that were placed in the 1980s and which may need upgrading for a variety of reasons. But, to the extent it concerns older switching facilities at the end of their economic lives, these kinds of upgrades constitute *retrofitting* of nearly obsolete facilities and fall well outside the parameters of a TELRIC study.

Second, the Youngstown switch obviously represents an anomalous situation in which *the customer base served by the switch is shrinking*. This means that the vendors are simply not growing the switch as they do most other Ameritech switches. Traditionally, the vendors, under the PIP contracts, grow all necessary switch facilities when additional customers are being served off the switch. They do so subject to very specific performance standards, which are included in the contracts. Thus, under normal circumstances, the need to expand the switch is automatically accommodated as the switch grows to serve more customers, which is the situation for the vast majority of Ameritech's continuously growing network. Clearly, the Youngstown switch in Ohio – which serves a distressed area – is not typical and only shows how Ameritech is straining to justify its improper allocation of switch investments.

Third, as will be discussed in more detail below, Ameritech claims literally billions of dollars in CCS related investments. The lone example of the Youngstown switch in Ohio – an anomaly in the first place because of its declining customer base – hardly validates this immodest claim.

Q. DOES AMERITECH IN FACT ADMIT THAT THE PURCHASE OF ADDITIONAL SWITCHING EQUIPMENT IS UNUSUAL?

A. Yes. On page 35 of his testimony, Mr. Palmer states: "... the occurrence of CCS jobs was relatively rare in the early years of the PIP contracts..." The PIP contracts went into effect relatively recently, in 1996 and run through 2003.

However, to support Ameritech's claims to billions of dollars in CCS investments, Mr. Palmer then goes on to assert that the occurrence is becoming more frequent. Indeed, by his judgment "their occurrence in the past several years has grown *dramatically*." (Emphasis added.) (Palmer, Rebuttal Testimony, page 35.)

Q. YOU JUST DISCUSSED THAT MR. PALMER OBSERVES A "DRAMATIC" INCREASE IN THE NEED TO PURCHASE CCS RELATED FACILITIES. DO YOU SHARE MR. PALMER'S JUDGMENT

THAT THE CHANGE IS "DRAMATIC"?

A. No. ARPSM identifies literally billions of dollars in CCS investments. By contrast, Mr. Palmer can only come up with a paltry ** of such investments made for Lucent switches in 1998 and 1999.

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Clearly, if these numbers are to be judged as "dramatic" it is only in that they *dramatically* demonstrate that purchases of CCS related facilities are rare and probably concern anomalous situations. In any event, they hardly support Ameritech's claim that it is charged by vendors for usage (i.e., CCS at the peak) related investments on a level *significant enough* to impose usage-based charges that recover the *majority* of billions of dollars in switch related investments.

Q. PLEASE DEMONSTRATE THAT AMERITECH IN FACT CLAIMS BILLIONS OF DOLLARS IN CCS RELATED INVESTMENTS.

A. Tab 7.1 of the ULS-ST study lists the ARPSM output and identifies the average per line CCS investment as .**

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Ameritech Regional PIP Switching Cost Analysis

Output Summary

Line	Switch Function	Lucent	Nortel	Siemens	Average

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Given that Ameritech serves over 20 million lines off its switches, this means that according to ARPSM, Ameritech has over **

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To appreciate how truly outrageous these claims are, the Commission should recall that Mr. Palmer can identify only a few million dollars in CCS related purchases, and even these *dramatically* minor purchases are possibly for retrofitting older switches.

Q. MR. PALMER ALSO REFERS TO SPECIFIC ITEMS LISTED IN THE CONTRACTS TO SUPPORT AMERITECH'S CLAIM THAT IT INCURS USAGE RELATED SWITCHING COSTS. PLEASE COMMENT ON MR. PALMER'S CLAIM.

A. Again, Mr. Palmer either does not know the switch vendor contracts or he deliberately misrepresents them. On page 35 of his testimony, Mr. Palmer states the following:

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Of course, the contracts list these components to be used in the event that capacity needs to be expanded. But the contracts also provide that Lucent places sufficient capacity per line to accommodate expected usage. **

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Again, Mr. Palmer totally fails to justify the factually false claim that Ameritech has billions in CCS related investments.

Q. DIRECTLY CONTRADICTING MR. PALMER, YOU SAY THAT LUCENT WILL EXPAND THE CCS RELATED FACILITIES AT NO ADDITIONAL CHARGE. COULD YOU PROVIDE SPECIFIC LANGUAGE FROM THE CONTRACTS THAT SHOW THIS TO BE TRUE?

A. Yes. Again, Mr. Palmer either does not know the content of the switch vendor contracts relied upon by ARPSM or he deliberately misrepresents them. ** [16]. [17]

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16 **

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17 **

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[18]. [19]. [20]. [21].

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[18] **

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[19] **

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[20] **

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[21] **

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[22] **********************

In addition to these specific provisions, there are other provisions that specify how the vendor is maintaining the switching facilities for Ameritech *at no additional charge*. In view of these provisions and the repeated admissions of Ameritech that it purchases switching facilities on a per line – and not CCS -- basis, it is frankly amazing that Ameritech dares to claim that the majority of its switching investments is CCS related.

Q. YOU SAY THAT IT IS ASTONISHING THAT AMERITECH DARES TO CLAIM THAT THE MAJORITY OF ITS SWITCHING INVESTMENT IS CCS RELATED. IS AMERITECH'S CLAIM WITH RESPECT TO THE LUCENT SWITCHES INDEED ABSURD?

A. Yes. The table below shows the breakdown of Lucent switching investment relied upon in ARPSM into CCS related and non-CCS related.

****

Switch Function	**Lucent**
Blended Line (per line)	
Total CCS (per Line)	
CCS related	

****

Thus, according to Ameritech's own ARPSM run, the average total switch

22 **

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investment for Lucent switches is ** .[23]** Of this total investment, literally **$87** is declared as CCS related and only ** ** is categorized as non-usage related. Let us recapitulate why this is an astounding claim – topped possibly only by a claim that the moon is made of green cheese:

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Q. MR. PALMER PROVIDES TWO POLICY ARGUMENTS FOR

[23] ARPSM, Tab: Output Summary, sum of lines 8 and 9.

REJECTING YOUR PROPOSAL TO IMPLEMENT A FLAT-RATED PORT CHARGE THAT INCLUDES ALL USAGE. PLEASE COMMENT ON THESE ARGUMENTS.

A. On page 35 of his testimony, Mr. Palmer makes two arguments for rejecting my proposal:

1. "If the pricing structure of switching shifts from usage-based charges to line-based charges, as Dr. Ankum suggests, it follows that low-usage customers would be subsidizing the use of high-use customers, such as day traders logged into the Internet all day."

2. "CLECs would have an incentive to develop new applications that increase network usage, since they would not incur any additional charges with line-based pricing, although they would be imposing additional usage costs."

With respect to the *first* argument, it is important to realize that I am only asking the Commission to adopt a price structure for unbundled local switching that creates a level playing field for Ameritech and CLECs. That is, I am recommending that the prices at which CLECs purchase unbundled switching from Ameritech *reflect the manner in which Ameritech itself incurs switching costs.*

To this end, it is irrelevant whether or not Mr. Palmer is correct here. That is, *even if Mr. Palmer were right* -- that high-use customers are subsidized by low-usage customers -- then this conclusion applies equally to the manner in which Ameritech itself is purchasing switching facilities (on a per line basis) under its current contracts.[24] Further, given that this conclusion would be true for Ameritech, there would be no harm in implementing the same price/cost structure for CLECs when they purchase unbundled switching from Ameritech. In fact, havingprices for unbundled local switching that do *not* reflect the manner in which Ameritech itself incurs switching costs creates a competitive imbalance; it would be discriminatory and it would impair the further development of nascent local competition.

The same holds with respect to Mr. Palmer's *second* argument. Whether or not Mr. Palmer is correct that there exists "an incentive to develop new applications that increase network usage," most important is that both Ameritech and CLECs operate on a level playing field in this regard. That is, if this incentive exists, as Mr. Palmer claims it does, then it should be reflected in the prices for unbundled switching so that CLECs have no less (and no more) of an incentive than Ameritech itself. Again, if Mr. Palmer's argument is true for CLECs, it is also true for Ameritech. All I am recommending is that that the prices at which CLECs purchase unbundled switching from Ameritech *reflect the manner in which Ameritech itself incurs switching costs.*

[24] Ameritech's testimony is replete with admissions that it purchases switching facilities on a per line basis. Following Mr. Palmer's argument, Ameritech's own

Q. MR. PALMER CLAIMS THAT YOUR TESTIMONY IS INTERNALLY INCONSISTENT. PLEASE COMMENT ON HIS CLAIM.

A. On page 36 of his rebuttal testimony, Mr. Palmer states:

> Dr. Ankum first recommends an extremely aggressive interpretation of vendor pricing when he recommends applying the replacement line prices to millions of lines in the embedded network not subject to the contracts, despite explicit contractual limits on the number of lines available at the low replacement price. However, when it comes to his recommendations regarding usage-related charges, Dr. Ankum clings dogmatically to the letter of the contracts.

There is no inconsistency here. As I have argued before, under TELRIC, current replacement and growth contracts should be applied against the entire universe of Ameritech's switching facilities and not just against some preferred sub-set. (After all, the "T" in TELRIC stands for total demand or output for an element.) My corrected calculations of ARPSM and my recommendations simply add into the analysis 14 million lines opportunistically omitted by Ameritech.

Further, one should adhere to the contracts as written and not create a fictitious situation that leads one to falsely assume billions of dollars in CCS investments, as Ameritech does. In short, while Ameritech may not like my testimony and recommendations, there is nothing internally

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low usage retail customers would subsidize Ameritech's high-usage retail customers.

inconsistent about them.

Q. MR. PALMER DISAGREES WITH YOUR CLAIM THAT THE NORTEL LCM AND LGCs ARE NOT NEEDED ON A FORWARD-LOOKING BASIS. PLEASE COMMENT ON HIS DISCUSSION.

A. On page 42 of his testimony, Mr. Palmer notes:

> Dr. Ankum is wrong. IDLC is not the forward-looking technology for unbundled services. Also, IDLC is not the forward-looking technology for all bundled services under all circumstances. Therefore, the LCM and LCG are needed.

Mr. Palmer ignores that in virtually all TELRIC proceedings that examine loop costs, Ameritech and other ILECs assume that loops are increasingly provided over fiber based feeder facilities with Integrated Digital Loop Carrier (IDLC) technology. As such, IDLC is certainly the forward-looking technology. Verizon NY in its TELRIC studies, for example, assumes the use of 100% IDLC for fiber based feeder facilities.

Q. MR. PALMER CLAIMS THAT YOUR TESTIMONY REGARDING THE LACK OF FORWARD-LOOKING CCS RELATED COSTS FOR NORTEL IS MISLEADING. PLEASE COMMENT ON MR. PALMER'S CLAIM.

A. Mr. Palmer's rebuttal testimony here is most informative, because in an effort to rebut my testimony, he in effect admits the fictitious nature of the CCS related costs:

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Two observations are in order. First, Mr. Palmer admits that the **

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Secondly, with respect to analog lines, the Commission should recall that the Nortel letter does not specify the costs per CCS. The CCS cost calculation is wholly an Ameritech creation. The Nortel letter simply states how the switch should be engineered for various levels of usage. But we know that Ameritech does none – or very little – of this engineering itself (see discussion above) because Nortel already takes care of this under the PIP contracts, as the name of the contracts (*Partners*-In-Provisioning) indicates. Most importantly, we know that under the contracts reflected in ARPSM, Nortel charges Ameritech on a per line basis and that there are *no additional charges for the LCM ports*, the alleged subject of the Nortel letter. That is, while the Nortel letter identifies the price for an LCM port, nowhere does the letter indicate that Ameritech gets charged for the LCM ports when Nortel adds lines to Ameritech's switches under the PIP contracts. And, of course, we already know that Nortel certainly does not charge Ameritech for these LCM ports when the switches are placed under the replacement contracts.

In sum, my claim that the Nortel switch will have no CCS related costs on a forward-looking basis (nor on a backward-looking basis) rests on two observations:

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1.

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2.

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Q. MR. PALMER REASSERTS THAT THE LUCENT LETTER SUPPORTS THE CCS CALCULATIONS IN ARPSM. IN VIEW OF THE PALTRY NUMBER OF CCS JOBS -- ** ** – IDENTIFIED IN MR. PALMER'S TESTIMONY, DOES MR. PALMER'S INTERPRETATION OF THE LUCENT LETTER HAVE ANY CREDIBILITY LEFT?

A. No. On page 43 of his testimony, Mr. Palmer concludes that ***"

."*** Three observations are in order.

First, the Lucent letter (page 1) notes: **"

** Thus, the basis for the calculations is a doubling of the *average* per line usage at the peak for the Lucent switch. There is no evidence in the record to suggest such an unprecedented increase in usage.

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Third, all Mr. Palmer could come up with is a paltry **$1 ** of "CCS related" investments made for Lucent switches in 1998 and 1999 (see discussion above.) **

** I believe that Ameritech has failed to meet its burden of proof and that Mr. Palmer is misinterpreting the switch vendor contracts and the Lucent letter.

Q. IS MR. PALMER'S DEFENSE OF AMERITECH'S USE OF THE SIEMENS LETTER FOR ITS CCS CALCULATIONS EQUALLY UNPERSUASIVE?

A. Yes. On page 45 of his testimony, Mr. Palmer states:

> Once again, Dr. Ankum trots out the same story. And once again, he is incorrect. Ameritech only applied in its cost studies what Siemens identified as usage-sensitive.

Here the Commission should simply apply the red-face test. Again, after having challenged Ameritech to show CCS job related invoices and investments, Ameritech shows up empty handed.

Under the TELRIC methodology, a cost analysis should follow the cost causation principle. This means that if Ameritech fails to demonstrate that it incurs certain costs – as it has with respect to the alleged CCS related costs – then under the TELRIC methodology, no such costs should be recognized.

AMERITECH'S PROPOSED FILL FACTORS FOR ITS DIGITAL LINES IGNORE ITS OWN VENDOR CONTRACTS

Q. DOES MR. PALMER DISAGREE WITH YOUR RECOMMENDED FILL FACTOR FOR DIGITAL LINES IN ARPSM?

A. Yes. On page 28 of his rebuttal testimony he states:

> **
>
> .**

Q. DOES MR. PALMER IGNORE AMERITECH'S OWN SWITCH VENDOR CONTRACTS THAT SPECIFY THE LEVEL OF FILL AT WHICH THE

SWITCHES NEED TO OPERATE?

A. Yes. **[25]

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AMERITECH'S RECIPROCAL COMPENSATION CHARGES ARE WRONG AND INAPPROPRIATE IN THIS PROCEEDING

Q. SHOULD THE COMMISSION USE THE COSTS CALCULATED IN THIS PROCEEDING TO IMPLEMENT DECISIONS REGARDING RECIPROCAL COMPENSATION?

A. No. While Ameritech is presenting as a part of its shared transport rates an element for reciprocal compensation, it is important for the Commission to realize: (1) this proceeding is not about costs and rates for services such as reciprocal compensation or switched access rates; and (2) the cost studies presented in this proceeding do not provide a basis for setting

[25] **

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more detailed reciprocal compensation rates. Most importantly, the ARPSM and NUCAT models presented in this proceeding do not identify TELRIC-based call set up and call duration costs.

Q. PLEASE EXPLAIN YOUR STATEMENT THAT AMERITECH'S ARPSM AND NUCAT MODELS DO NOT CALCULATE *TELRIC* COSTS FOR CALL SET AND CALL DURATION.

A. At issue here is the question: "what are costs?" As will be demonstrated shortly, Ameritech has not identified "costs" following the cost causation process that is essential to the TELRIC methodology. Instead, Ameritech has used the traditional method – *developed in the old Part 32 and 64 Structural Separations Proceedings* -- of allocating costs based on MOUs.

The Commission should squarely reject this regressive costing effort for reciprocal compensation purposes. The usage based cost allocation methods in separations proceedings have been thoroughly discredited in the economic literature[26] and elsewhere. Indeed, for decades now ILEC economists and other economists have fumed against the irrational and, indeed, arbitrary nature of usage based cost allocation methods, here used again by Ameritech. Further, the FCC itself, while not abandoning

[26] See, for example, Baumol, William J., Michael F. Koehn, and Robert D. Willig, "How Arbitrary is Arbitrary? – or, Toward the Deserved Demise of Full Cost Allocation," *Public Utilities Fortnightly*, September 3, 1987.

the Structural Separations framework for jurisdictional separations of access related costs, has rejected this type of costing method for purposes of UNE pricing[27] in favor of the TELRIC methodology that rigorously follows cost causation.

Q. PLEASE EXPLAIN THE COST CAUSATION PRINCIPLE – A FUNDAMENTAL TENET OF TELRIC.

A. Under TELRIC, costs should be identified following the cost causation principle. Under the cost causation principle, specific investments are categorized and identified as being associated with certain activities or functionalities. Any investments that are unrelated to the activity or functionality at hand are excluded. Then, having identified the relevant investments – *and only those investments* -- costs are determined by applying annual charge factors for such cost components as depreciation, cost of capital, maintenance, etc. It is essential, however, to continuously relate investments and costs on a cost causative basis.

The cost causation principle is important to ensure that costs are not allocated on an arbitrary basis, as is the case with separations type allocations. For this reason, the FCC made cost causation one of the corner stones of its TELRIC methodology:

[27] The FCC's rejection of the traditional cost allocation methods based on usage is found throughout the *Local Competition Order*, First Report and Order, CC Docket 96-98.

> Any function necessary to produce a network element must have an associated cost. The study must explain with specificity why and how specific functions are necessary to provide network elements and how the associated costs were developed. Only those costs that are incurred in the provision of the network elements in the long run shall be directly attributable to those elements. *Costs must be attributed on a* ***cost-causative*** *basis.* Costs are causally-related to the network element being provided if the costs are incurred as a *direct result* of providing the network elements, or can be avoided, in the long run, when the company ceases to provide them.[28] (Emphasis added.)

Q. PLEASE DISCUSS HOW AMERITECH "ALLOCATES" END OFFICE SWITCHING INVESTMENTS TO TWO CATEGORIES: CALL SETUP AND CALL DURATION.

A. Instead off identifying specific investments associated with call set up – as required by the Commission – Ameritech simply takes *all investments associated with usage* and then allocates them based on minutes of use.

The exact calculation is performed in Tab 5.4 of NUCAT (the ULS-ST study), and looks as follows (this table is taken verbatim from the Excel spreadsheet of the reciprocal compensation portion of the ULS-ST study):

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[28] *Local Competition Order*, First Report and Order, CC Docket 96-98. Paragraph 691.

Four things should be noted:

1. The *$* per line End Office investment is Ameritech's estimate of the alleged cost that is *usage related*. There is *no* separate investment for call set up.

2. The % is a cost allocator based on *usage*. There is no cost causation here. Indeed, as I will show shortly, the % is based on *separations data*.

3. The % used by Ameritech does not even represent call set up time. It represents – at best – non conversation time, which for the most part should be classified as call duration from a TELRIC costing perspective.

4. Ameritech uses the same inappropriate % to allocate trunk investments, and a number of other investment categories, indicating that the % is not specific to End Office usage investments and is simply a separations based allocator.

****

Q. HOW DO YOU KNOW THAT AMERITECH CONSIDERS THE INVESTMENT FIGURE TO BE USAGE RELATED?

A. The investment figure of ** ** is found in Tab 7.1 of NUCAT study (which is the output from ARPSM.) The table below shows the pertinent investment figure as it appears in the Excel spreadsheet (of Ameritech's Reciprocal Compensation study).

****

Ameritech Regional PIP Switching Cost Analysis Output Summary

****

As noted, this **$ ** investment figure is the output from ARPSM. It is the portion of total per line End Office investment that Ameritech identifies as CCS related. That is, according to Ameritech, it is usage related. There is *no separate* investment identified for call set up.

Q. PLEASE SHOW THAT THE 22.19% ALLOCATOR IS BASED ON SEPARATIONS DATA.

A. The table below is, again, taken verbatim from Ameritech's Excel based reciprocal compensation portion of the ULS-ST study. As the table clearly indicates, the 22.19% is derived based on usage data and separations data (see lines *(v)* and *(w)*). Yet, the 22.19% figure is the critical allocator for call set up costs. This is not a TELRIC study – it's an exercise in separations.

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	Category	Illinois	Source
(c)	Total Originating MOUs (000s)		
(v)	TCAR (Total Minutes to Conversation Minutes Ratio)		**Separations**
(w)	TCR (Completion Ratio)		**Separations**
(m)	Total Originating Messages (000s)		Originating Messages - All Jurisdictions (sum of items)
(x)	Portion of CCS Consumed By Non-Conversation Usage		= ((c) * (v) - (c)) / ((m) / (w))

****

Q. FURTHERMORE, DOES THE 22.19% EVEN REPRESENT CALL SET UP TIMES?

A. No. The 22.19% represents *non-conversation times*, which includes far more than call set-up.

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Q. IF YOU ASSUME THAT AN ISP BOUND CALL WERE 20 MINUTES, THEN USING AMERITECH'S ALLOCATOR OF 22.19%, HOW LONG WOULD IT TAKE TO SET UP A CALL?

A. **

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Q. DOES AMERITECH USE THE SAME FLAWED COST ALLOCATION METHOD WITH RESPECT TO OTHER COMPONENTS OF THE RECIPROCAL COMPENSATION RATES?

A. Yes. Tab 5 of the ULS-ST study shows a summary of the call setup costs. For all the cost elements, Ameritech used the same 22.19% allocator.

Q. IN SHORT, HAS AMERITECH FAILED TO SEPARATE CALL SET UP COSTS FROM CALL DURATION COSTS?

A. Yes. All Ameritech has accomplished is to inflate call set up costs with call duration costs associated with the usage sensitive investments. In short, the current studies should not be used for determining reciprocal compensation rates or rate structures. This proceeding is examining unbundled local switching and shared transport: it is not about determining costs and setting rates for such services as reciprocal compensation and switched access.

SHARED AND COMMON COSTS

Q. ARE AMERITECH ILLINOIS' SHARED AND COMMON COSTS CONSIDERABLY HIGHER THAN SBC'S SHARED AND COMMON COSTS IN TEXAS?

A. Yes. Ameritech's shared and common costs are the result of an unwieldy and much discredited Arthur Andersen study. But while Ameritech has since abandoned the Arthur Andersen study, in Illinois we are still stuck with the exorbitant shared and common cost mark-ups from the Arthur Andersen study: ** ** By contrast, SBC in Texas applies a shared and common cost mark-up of only ** %.[29]** This figure appears much more reasonable and is comparable to the shared and common cost mark-ups approved in Michigan and Indiana. I recommend that the Commission apply the Texas ** %** mark-up until the Commission has had an opportunity to revisit Ameritech's new shared and common cost study.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

[29] This number was determined by the Texas PUC in *Consolidated Docket Nos. 16189, 16196, 16226, 16285, and 16290.*